

1996 Revenue Review

In 1996, 90.5 percent of all tax revenue collected by the State of Nebraska was collected by the Nebraska Department of Revenue. Tax collections for the year were \$2,357 million, an increase of \$178.7 million or 8.2 percent above 1995. The receipts from permits, fees, and licenses collected by the department were \$1.32 million, a decrease of 14.4 percent from the previous year.

Nearly three-quarters of the department's net tax receipts in 1996 were from state sales tax and income taxes. Net individual income tax receipts increased \$113.9 million to \$885.9 million in 1996, an increase

of 14.8 percent from 1995. Net receipts from corporation income tax were \$137.1 million in 1996, up \$15.4 million or 11.9 percent from 1995. Net state sales and use tax receipts for 1996 totaled \$827.1 million, an increase of \$33.3 million or 4.2 percent above 1995. Sales tax receipts included \$102 million of sales tax on motor vehicles.

The largest share of tax revenue is deposited in the State General Fund. General Fund revenue sources accounted for 76.6 percent of the total revenue collected by the Department of Revenue in 1996. Sales and income taxes are the primary sources of General Fund revenue.

Motor fuels taxes and sales tax on motor vehicles are deposited in state highway funds. Revenue deposited in the Highway Trust Fund, Highway Allocation Fund, and the Highway Cash Fund accounted for 14.6 percent of revenue collections.

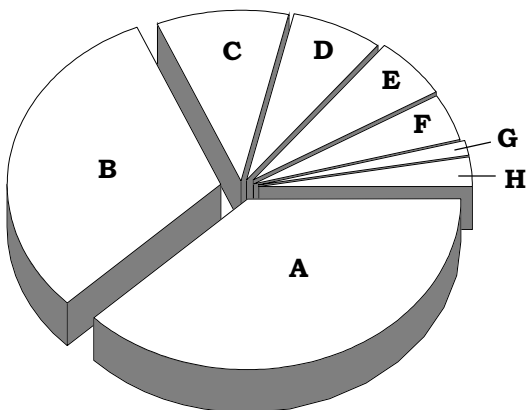
In 1996, 6.8 percent of revenue collections were distributed to local governments. City sales tax and county lodging tax are collected by the Nebraska Department of Revenue and distributed directly to cities and counties.

Revenue deposited in other governmental funds accounted for the remaining two percent of collections.

The major state revenue sources are described beginning on page 9. The descriptions include the basis and current tax rate, due dates of reports and payments, administering agencies or officials, and the manner of distribution of each tax or fee.

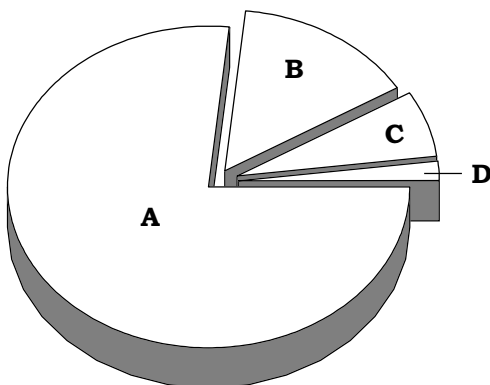
Sources of Revenue

A	Individual Income Tax	37.6%
B	State Sales and Use Tax	30.8%
C	Motor Fuels Taxes	10.2%
D	City Sales Tax	6.9%
E	Corporation Income Tax	5.8%
F	Sales Tax on Motor Vehicles	4.3%
G	Cigarette Tax	1.6%
H	Other Collections	2.8%



Distribution of Revenue

A	General Fund	76.6%
B	Highway and Road Funds*	14.6%
C	Local Governments	6.8%
D	Other Funds	2.0%



* Includes the Highway Trust Fund, Highway Allocation Fund, and Highway Cash Fund

1996 Revenue Legislation

The following is a summary of the legislation passed by the 1996 Legislature that relates to taxes collected by the Nebraska Department of Revenue.

Sales Tax

Veterinary Medicines (LB 106). Sales of feed, veterinary medicines and agricultural chemicals are exempt from tax when used in the care of animal life, the products of which constitute food for human consumption or of a kind the pelts of which ordinarily are used for human apparel. Agricultural chemicals include insecticides, fungicides, growth-regulating chemicals and hormones. Feed includes all grains, minerals, salts, proteins, fats, fibers, vitamins, and grit used as feed or a feed supplement. Effective October 1, 1996.

Motorboats (LB 1041 [1996] and LB 123 [1994]). Sales tax on sales of motorboats will be paid to the county treasurer at the time of registration. A penalty of \$1,000 will be imposed on anyone who willfully understates the amount on which the sales tax is due. For leases of motorboats of one year or more and registered in Nebraska, the tax is based on the rental payments and is collected by the lessor. For leases of motorboats for less than one year and delivered in this state, the tax is also based on rental payments. No sale of a motorboat will qualify for exemption as an occasional sale, except as allowed for motor vehicles. Effective January 1, 1997.

County Local Option Tax (LB 1177). Counties are authorized to impose a local option sales and use tax at the rate of 0.5%, 1.0%, or 1.5%, for the purpose of funding a county public safety commission or any other joint services provided under an interlocal agreement. The tax is administered the same as a city sales and use tax and applies throughout the county except in a city which imposes a sales and use tax. Effective July 1, 1998.

Racing Fuel and Other Products (LB 1121). Sales of leaded high octane automotive racing fuel, naphtha, methanol, benzine, and benzol are no longer subject to the fuels tax; however, they are subject to the Nebraska and local option city sales and use tax. Companies or individuals who sell these products are required to collect and remit the Nebraska and local option city sales and use tax on all sales unless the purchaser issues a properly completed Nebraska Resale or Exempt Sale Certificate, Form 13. Effective July 1, 1996.

Income Tax

Claim for Overpayment (LB 1041). Beginning July 19, 1996, when an income tax overpayment exists for one tax year and an underpayment exists for another tax year, and the overpayment is one for which interest is not allowed, the overpayment will be setoff against the underpayment as of the date of the filing of the claim for refund.

Tax Incentive (LB 1368). A new option is available for companies qualifying for tax incentives under the Quality Jobs Act (LB 829, 1995). A corporate income tax credit is available to qualifying companies meeting certain employment and investment levels. The credit varies, depending on the average wage paid at the project. For further information on this program, contact the Department of Economic Development. Effective tax year 1996.

Motor Fuels

LB 1121 (Technical Bill). Effective July 1, 1996, the definition of motor vehicle fuel was amended to exclude a number of fuel products that typically are not used

in licensed motor vehicles: naphtha, methanol, benzine, and benzol; however, if blended with gasoline they will be taxed as gasoline.

Leaded, high octane automotive racing fuels are also excluded from the definition of motor vehicle fuel, as it is illegal to use leaded fuels in motor vehicles registered for operation on the highways.

The current exemption from diesel fuel tax used in municipal buses has been extended to motor vehicle and compressed fuels.

The remaining provisions of LB 1121 are primarily directed at the various state agencies charged with monitoring and enforcing fuel tax related laws.

Charitable Gaming Taxes

LB 1277 Effective July 19, 1996, permits 501(c)(7) nonprofit organizations to apply for a pickle card license. Such organizations are still not eligible for a bingo license. In addition, the bill authorizes the sale of seal card games and permits manufacturers to advertise or promote new pickle card games before such games are approved by the department.

Miscellaneous Taxes

Corporate Officer Liability (LB 1041). Corporate officers or employees who are being held personally liable for unpaid corporate taxes may now petition for a hearing on the issue of personal liability, the amount of tax, or both within 30 days of a notice of demand for payment. Payment of the tax or posting of a bond is no longer required before a hearing is granted. If a hearing is not requested, the demand becomes final. Effective July 19, 1996.

Property Tax

LB 299 (Budget limits for political subdivisions) This legislation sets limits on political subdivisions based on certain budgeted restricted funds, such as property tax, with allowable increases for population growth, plus 2 percent for FY 1996-97 and a more limited increase for FY 1997-98. The bill changes, reduces, and eliminates certain publication requirements.

LB 345 (Game and Parks Commission) Beginning 1997, Game and Parks Commission property used for wildlife preservation purposes will pay an in lieu of tax equal to the real property taxes which would have been paid on the land if owned by a private owner, and with a land use the same as it was immediately prior to acquisition by the commission.

LB 934 (Agricultural Land Valuation Board) Eliminates the Agricultural Land Valuation Board.

LB 1038 (School district appeals of adjusted value) Appeals of the Property Tax Administrator's decisions

regarding adjusted school valuations shall be taken to the TERC.

LB 1039 (Recapture on greenbelt) The length of “recapture” is changed when land is disqualified from greenbelt or special assessment. If land is disqualified prior to levy date, recapture is for three previous years (current year value is also based on actual value). If the land is disqualified on or after levy date, recapture is for four years (current year and three prior years). No recapture if land was acquired by eminent domain.

LB 1040 (Appeals) Appeals of the Tax Equalization and Review Commission’s exemption decisions are to the Court of Appeals. Appeal of the Agricultural and Horticultural Land Valuation Board action is to the State Board of Equalization. Appeal of the County Board of Equalization decisions must be filed between July 26 and August 24. Clarifies that assessment sales ratios are determined by the Property Tax Administrator, not the Department of Revenue.

LB 1050 (School Adjusted Values) This bill changes the formula for state equalization aid as set out in the Tax Equity and Educational Opportunities Act. Specific changes pertaining to Property Tax Division’s school adjusted values are: 1) beginning with ‘96-’97 school aid calculations, adjusted school valuations for the prior year will be used; and 2) the Property Tax Administrator is required to notify each school district of its adjusted valuation for the current year by July 1.

LB 1082 (Exemptions) Includes Indian housing authorities as housing authorities exempt from taxation, but able to make in lieu of payments.

LB 1085 (County consolidations; PTA to assume assessment function; preliminary tax rates; levy setting date; personal property tax due date) Allows adjoining counties to consolidate one or more offices. Allows counties to jointly perform common functions or services.

The county board may, by resolution, request the Property Tax Administrator (PTA), to assume the county assessment function. The resolution must be adopted before the end of the calendar year and state the effective date for taking over the assessment duties. The effective date can be no sooner than July 1 of the year immediately following the passage of the resolution. Upon assuming the assessment function by the PTA, the term of the incumbent assessor shall terminate the county need no longer elect a county assessor.

On or before September 10, the county clerk shall set a preliminary tax rate for each political subdivision, by dividing the subdivision’s prior year’s tax request by their current year valuation. This preliminary tax rate remains fixed unless changed by the subdivision prior

to the October 15 meeting of the County Board of Equalization.

Levy or property tax rate setting deadline is changed to October 15, rather than September 30.

Personal property tax due date is changed to November 15, rather than November 1. The delinquency dates for first half and second half remain as December 1 and July 1 respectively.

LB 1114 (Tax Rate/levy limits) Beginning July 1, 1998, property tax rates are limited as follows:

Counties to 50 cents (per \$100 of taxable value) of which 5 cents may only be levied for purposes of financing the Interlocal Cooperation Act. The county may be allocated up to 15 cents of its authority to all political subdivisions not covered by the mentioned levy limits – rural fire districts, historical societies, townships, etc.; *School Districts* may levy a maximum of \$1.10 until 2001-02. Beginning with 2001-02, the limit will be \$1.00. Excluded from the limits are employee voluntary termination and special building funds established prior to 4/1/96; *Community Colleges*, 8 cents until 2001-02, then 4 cents; *Natural Resource Districts*, 4.5 cents; *Educational Service Units*, 1.5 cents; *Cities*, 45 cents plus an additional 5 cents for interlocal agreement; *Sanitary Improvement Districts*, in existence over five years, 40 cents.

Exempted from the levy limits are judgments, pre-existing lease purchase agreements approved prior to July, 1, 1998 and bonded indebtedness.

Levy requests must be made on or before September 30 and levies must be set by the county board by October 15.

LB 1122 (Exemptions) Extends the time to apply for a waiver of deadline for filing for permissive exemptions from February 1 to July 1. The county may assess a 10% penalty for each month or fraction of a month the waiver was filed after January 1.

LB 1177 (City aid) Establishes the Municipal Equalization Fund which shall be used to provide state aid to cities. Allows a county and any municipality within each county to combine for joint financing and operation of public safety services under the Interlocal Cooperation Act. Allows the counties to impose a 0.5% to 1.5% sales tax.

LB 1362 (Bond tax rate information) Beginning September 15, 1997, the property tax statements are required to show the amount of taxes levied by each subdivision for principal and interest on bonds. The 1996 Certificate of Taxes Levied Report, filed by county with the Property Tax Administrator, is required to show the amount of taxes levied to pay principal and interest on bonds for each subdivision.